

From: SimsburyCT Postings November 22, 2010 9:33:34 AM
Subject: Board of Finance Minutes 10/19/2010
To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
OCTOBER 19, 2010
REGULAR MEETING

1. CALL TO ORDER

The Regular Meeting of the Board of Finance was called to order at 6:00 P.M. in the Main Meeting Room of the Simsbury Town Offices. The following members were present: Peter Askham (Acting Chairman), Nicholas Mason, Anita Mielert, Kevin North and Barbara Petitjean. Chairman Paul Henault was unable to attend due to a business travel commitment. Also present were Director of Finance Kevin Kane, Board of Education Business Manager David Holden, and other interested parties.

2. MINUTES

Mr. North made a motion to approve the minutes of the September 23, 2010 Special Meeting. Ms. Mielert seconded the motion.

Mr. North noted a correction on page 6; Mr. Mason asked for a clarifying correction on page 4.

The motion to approve the minutes as amended passed 4-0 (Mr. Askham abstained).

3. DISCUSSION ON REFUNDING OUTSTANDING BOND ISSUE(S)

Mr. Askham noted that there had been some inquiries relative to whether Simsbury has considered refunding outstanding bond issues as other towns have been doing. Mr. Kane referred to an e-mail that was sent out to the Board members regarding this issue (Addendum I). He reminded the Board that many towns issue 20-year bonds, whereas Simsbury usually issues 10-year bonds. The consultants have indicated in the e-mail that they felt that very little savings would be realized by Simsbury at this time by

refunding any outstanding bond issues.

4. RETIREMENT BOARD – DISCUSSION AND APPOINTMENT OF 2 BOARD OF FINANCE MEMBERS

Mr. Askham referred to a memo from the Selectman's office that had been distributed to the Board just prior to the meeting. Mr. Askham noted that the memo discussed how any change to the pension plans must involve a change to a Town ordinance as well as collective bargaining and that the design of the plan is the responsibility of the Board of Selectmen. Given the agenda item, Mr. Askham thought that there had been some kind of request regarding the establishment of a Retirement Board. Mr. Kane was not aware of anything having been established. Mr. Mason said he was not sure if Mr. Henault may have arrived at some agreement with the First Selectman.

Mr. North felt that it was too early to take any sort of action and that the memo was not in any way responsive to the Board of Finance's request. Ms. Mielert agreed that any action would be premature as the Board was clearly lacking adequate information. All the Board members expressed confusion as they did not feel that the memo addressed the concerns that had been raised at their September 23rd meeting regarding the pension plan.

Ms. Petitjean noted that there is still a standing Pension Committee. Mr. North added that Ms. Mielert had noted at the Board's last meeting that it was technically not an actual sub-committee as it had no Board of Selectmen representative and agreed that, since there has been no formal dissolution nor any formal establishment of an alternative, any action taken would be premature.

Mr. Askham stated that he had three questions when he saw the memo:

- 1) How is this established?
- 2) What is the purpose of the Board?
- 3) Does it follow the recommendations that the Board of Finance made?

As the memo addressed none of those questions, he was in favor of tabling the discussion. He added that the Board should ask once again for comments in response to the Board of Finance's recommendations and, if the Board of Selectmen feel that they should not be addressed, indicate why no response was warranted. Ms. Mielert added that there may be legal questions and a Charter revision may be involved. She noted that there are three types of committees: permanent commissions that are elected; permanent committees that are listed in the Town Charter and temporary committees that are not listed in the Town Charter. Mr. Mason did not think that the Pension Committee is mentioned in the Town Charter, but is rather a group that is appointed by the Board of Selectmen. He added that the members are

appointed and sworn in every two years. Mr. Askham felt that this should be checked out prior to the next meeting.

Mr. Holden noted that the Board of Education Chairman has scheduled a pension discussion at their November 23rd meeting and has asked the Milliman representative to return to address issues that are specific to the Board of Education. Therefore, he did not feel that there would be any appointments to the Retirement Board prior to that.

Mr. Mason made a motion to table any action regarding the Retirement Board. Ms. Mielert seconded the motion and it passed 5-0.

5. 2011 CALENDAR OF MEETING DATES

Mr. Askham asked the Board members to review a draft of a schedule of 2011 calendar meeting dates as well as an operating budget calendar and capital projects approval timeline. He asked if there might be a problem relative to school vacation week relative to the Feb. 22nd date. Mr. Holden stated that there would only be an issue if it were on a holiday. Mr. Askham wondered if the date of the Town Meeting could be included. Mr. Kane stated that it is always the first Tuesday in May, which would be May 3, 2011. It was suggested that the pre-budget public hearing in November, which has become an annual event, be added on to the November date. Mr. North suggested that all members review the draft calendar against their personal calendars and the Board make their final determination at their next meeting.

6. 2011/2012 OPERATING AND CAPITAL BUDGET DISCUSSION

Mr. Askham noted that last year's Board of Selectman budget had a .27% increase and the Board of Education had a 1.6% increase. He asked if the Assessor could provide some information regarding the grand list, which has been relatively flat over the past two years. He added that investment income remains low. Mr. Holden noted that, of the \$5.2 million is State ECS funding that the Board of Education currently receives. \$765,000 is Federal ARRA Stimulus money that will go away. Unless it gets replaced with State funding, grant revenue will be reduced by that amount next year. Mr. Askham noted that a reduction of that amount would equate to a 1% tax increase alone.

Mr. Mason asked about the status of the Board of Education negotiations. Mr. Holden replied that teacher and administrator negotiations are currently underway and he expected to have information by next Tuesday. School enrollment is expected to decline next year. Enrollment in the current year, which is 107 less than the prior year, is also 37 less students than was originally projected due to a smaller kindergarten. Mr.

Askham noted that would equate to a 2% reduction in student enrollment.

Mr. Askham asked Mr. Holden to highlight the primary drivers of the Board of Education budget. Mr. Holden stated that they were: the expected reduction in State funding, negotiations with all the collective bargaining groups, pension and OPEB obligations and medical insurance concerns.

Mr. Kane thought that there will most likely be an increase in the ARC payments for the pension funds on both sides as last year's large loss is phased in over a five-year period. Mr. North felt that, in addition to local factors, such as grand list growth and student enrollment, the projected State deficit is woefully understated, such that if their pension and OPEB obligations are properly added to the deficit, it would double. He felt that there will be great pressure for the State to cut costs and, therefore, State funding is unreliable. Mr. Mason and Ms. Mielert agreed. It was noted that, while the Board will most likely once again have to vote on the Town budget without a State budget in place, there will be a greater materiality involved than has been in the past.

Mr. Kane expected increases in health and pension costs on the Town side. He added that Town staff has been reduced quite a bit. He said that he should know by the Board's November meeting if he will be recommending a bond issuance. While there will be \$500,000 in debt service that will drop off, it would be replaced by another bond issue. Therefore, he told the Board that they will have to make some tough decisions as to how they want to address capital projects. Mr. North asked if the timing of the bond issue should be driven by the current favorable rates, but Mr. Kane stated that the timing of the issue will have to be driven more by the timing of the projects.

Mr. Askham asked about the current reserves. Mr. Kane stated that they are currently about \$8.6 million, or about 10%.

Mr. Askham asked about two recent grants that had been received. Mr. Kane stated that a \$450,000 grant had been received for Phase 2 of the Ethel Walker land purchase, which the voters have not yet approved. He has asked the First Selectman's office to research if the grant may expire prior to a referendum vote in May 2012; otherwise, the land purchase will have to go onto the May 2011 referendum. Ms. Mielert stated that the second grant for \$500,000 for the Tulmeadow land purchase would go to the Simsbury Land Trust, which is now currently \$165,000 short of their \$2.3 million goal. \$280,000 will be contributed by the Town.

Mr. Askham noted that Social Security cost of living has been frozen once again in 2011. Mr. North stated that the Board, above all, must be sensitive to the taxpayers, who are living in an environment with no

enthusiasm for tax increases. He said that the Board must decide if that will be its primary driver when determining the budget, or rather a derivative of all the anticipated shortfalls. For him, it would be a primary driver; Mr. Askham concurred.

7. DISCUSSION ON BOARD OF FINANCE NOVEMBER 16TH SPECIAL MEETING FOR PUBLIC INPUT ON BUDGETS

Mr. Askham indicated that the current plan is to schedule Public Audience at 7:30 PM after the Board of Finance's regular meeting on November 16th in order to hear public input on the upcoming budget season. Mr. North suggested that the time be moved to 7:00 PM and, if the Board is not able to complete its meeting between 6:00 and 7:00, that it reconvene after the Public Audience is closed.

Mr. North made a motion to schedule the pre-budget Public Audience at 7:00 PM on November 16, 2010 with the intent of completing the Regular Meeting between 6:00 and 7:00 and, if not able to do so, reconvening after the Public Audience. Ms. Mielert seconded the motion and it passed 5-0.

8. OTHER BUSINESS

Mr. North asked if there had been any response to the request made at the Board's last meeting relative to a strategic plan for the use of the undesignated fund balance of the Sewer Fund. Mr. Kane stated that the WPC has sent a request to Mr. Henault to appear at the Board's November meeting. Mr. Mason noted that the Chamber has scheduled a tour at the sewer plant on October 28th from 8:00 to 9:30 AM.

Mr. Mason made his annual plea that the Town consider eliminating small tax bills under \$5. Mr. North was in favor, but was not sure that it was within the purview of the Board of Finance and asked if the Board of Selectmen had been formally asked to review the suggestion. It was thought that the Tax Collector was currently gathering data.

Mr. Mason made a motion that the Board of Finance suggest to the Town of Simsbury that they evaluate and consider eliminating small tax bills of \$5 or less. Mr. North seconded the motion and it passed 5-0.

Mr. Kane pointed out that there are two pieces to a tax bill, one of which belongs to the Fire District, and the Town does not have power over the Fire District. Mr. Askham stated that he would like to know the overall dollar impact and would welcome an evaluation. Ms. Petitjean said that she would like to know the processing costs that could be saved. Mr. Askham felt that it would not be a "go away" cost, so that might not be relevant. Mr. Kane stated that the postage is part of the lock box fee and that there

would actually not be any savings, but rather a net loss of tax revenue. The actual benefit derived would be the service to the taxpayers. Mr. North stated that the Fire District would also like to know the dollar impact.

9. ADJOURNMENT

Mr. North made a motion to adjourn the meeting at 7:00 P.M. Ms. Mielert seconded the motion and it passed 5-0.

Peter Askham, Acting Chairman

Debra L. Sweeney, Clerk